

**STATE OF RHODE ISLAND
PUBLIC UTILITIES COMMISSION**

IN RE: PROVIDENCE WATER SUPPLY BOARD :
MULTI-YEAR RATE FILING – MOTION TO END : **DOCKET NO. 4994**
MULTI-YEAR RATE PLAN :

ORDER

I. Instant Filing

On May 1, 2024, Providence Water Supply Board (Providence Water) filed with the Public Utilities Commission (Commission) a Motion to its End Multi-Year Rate Plan which was approved in 2020. Per the previously-extended Multi-Year Rate Plan, Providence Water could have filed for its final step increase. Instead, Providence Water requested to forego the final step and file a full rate case in the Fall 2024. No objection was received from any of the parties to this docket. On May 30, 2024, the Commission granted the Motion to end the rate plan.

The Commission also noted that the pending cost of service allocation changes were never approved because there had been no additional step rate changes since a 2022 ruling to maintain the then-current wholesale rates until the next rate change. Accordingly, the Commission closed this docket and indicated it would assess proposals for the cost allocations for wholesale rates in its next general rate filing, consistent with direction provided during a June 21, 2022 Open Meeting, discussed below.

II. History of Multi-Year Rate Plan

On August 27, 2020, the Commission approved an Amended Settlement Agreement which set forth the terms of a Multi-Year Rate Plan for Providence Water commencing with a rate year ending June 30, 2021.¹

¹ Order No. 23928 (Oct. 10, 2020); <https://ripuc.ri.gov/sites/g/files/xkgbur841/files/eventsactions/docket/4994-ProvWater-Ord23928-%2810-20-20%29.pdf>. New rates were effective August 27, 2020.

On April 30, 2021, Providence Water submitted a Compliance Filing to implement the second step for the rate year commencing July 1, 2021 (RY 2). The proposed rates were designed to collect an additional \$4,310,146 in revenue to support a total cost of service of \$89,309,453.² Following the issuance of discovery, filings by intervenor, Bristol County Water Authority (BCWA) and the Division of Public Utilities and Carriers (Division) and a hearing, the Commission ordered reductions to electric and payroll expense, totaling \$975,802 finding the expenses had not been adequately supported by the record.³ The result was an approved cost of service of \$88,333,651.⁴

Providence Water's Multi-Year Rate Plan contemplated an additional rate change on July 1, 2022 (RY 3). Providence Water requested a one-year extension of the effective date from July 1, 2022 to July 1, 2023 which was approved by the Commission at an Open Meeting held on June 21, 2022.⁵

On May 2, 2023, Providence Water filed another petition requesting an additional one-year delay to July 1, 2024, of the RY 3 revenue increase. Again, no objection was received from any party. Accordingly, at an Open Meeting held on May 31, 2023, the Commission granted the request.⁶

III. Allocated Cost of Service Filing

Providence Water Supply Board was also required to perform a new allocated cost of service study by February 18, 2021, to address the Transmission & Distribution Labor Allocation,

² Notice at 1 (Apr. 30, 2021). All filings related to this docket may be accessed at: <https://ripuc.ri.gov/eventsactions/docket/4994page.html> or reviewed at the Commission's office at 89 Jefferson Blvd., Warwick, Rhode Island.

³ The reductions to expense also include the associated reductions to the operating reserves. Schedule HJS-Compliance-1 (June 30, 2021).

⁴ Schedule HJS-Compliance-1. The Compliance filing was approved at an Open Meeting on July 27, 2021.

⁵ Order No. 24871 (Nov. 27, 2023); https://ripuc.ri.gov/sites/g/files/xkgbur841/files/2023-11/4994-ProvWater-Ord24871-RY2-Amendment_11-27-23.pdf.

⁶ Order No. 24871.

the Central Operations Allocation, and the Non-revenue Water Allocation with data that firmly supports the allocators chosen. The new allocated cost of service study was to be designed to apply cost allocations for pumping costs and unidirectional flushing based upon the benefits received by each wholesale customer. Providence Water filed the new cost of service study on April 1, 2021 relying on hydraulic modeling of the system and resulting in community-based wholesale rates. Following a months-long contested proceeding, on June 21, 2022, after granting the extension to the Multi-Year Rate Plan, the Commission ruled to maintain the then-in-effect wholesale rates to gather additional information and provide guidance prior to Providence Water's next rate change.

During discussion of the new cost of service study, the Commission denied Bristol County Water Authority's Motion in Limine, seeking to exclude Providence Water's hydraulic modeling from consideration for setting wholesale rates. A hydraulic model showing the flows of water can be a useful tool for allocating costs, but it is not the only consideration. The hydraulic model suggested that Providence Water's new cost allocations were headed in the right direction. However, a more thorough review of the evidence in the record showed that there are really two groups of wholesale customers served by the Providence Water system. There are those in the low service area where the customers are largely gravity fed and there are those in the high service areas where pumping is required to move the water from the reservoir to customers in those areas of the system. Because it was unclear how such a cost allocation would affect the wholesale customers in those areas, and there was no rate change going into effect in 2023, the Commission declined to approve new wholesale rates and instead sought additional information from Providence Water to recalculate wholesale rates – a high service rate and a low service rate, both with and without a previously discussed 12% cap. The additional information would rely on

Providence Water’s filed cost of service study but would simply recalculate more granular proposed community-based rates into the two wholesale rate classes.⁷

The goal of the new cost allocation and setting of wholesale rates is to better match the costs of the system with the users causing the costs where pumping needs require an investment in the system not necessitated by areas that are gravity fed. However, as with any change in rates due to changes in cost allocation, the Commission reviews whether the impact is fair and reasonable, designed not to cause an immediate “rate shock” to customers when possible.

In its next rate filing, Providence Water should include the cost allocation methodology and results it intends to support through evidence. If the wholesale cost allocation is different from a high and low service territory split, then Providence Water should provide an illustrative example of that rate using the same formatting as was used in response to PUC 2-1, cited above. The Commission will rule on a final cost allocation methodology and rates after a full review of the record to be developed in that future rate filing, currently expected in Fall 2024.

Accordingly, it is hereby,

(25188) ORDERED

1. Providence Water Supply Board’s Motion to End Multi-Year Rate Plan approved on August 20, 2021, is hereby granted.
2. Bristol County Water Authority’s Motion in Limine to exclude the hydraulic model from consideration by the Public Utilities Commission was denied.
3. Wholesale rates approved on June 29, 2021, remained unchanged following the Public Utilities Commission’s decision to approve deferral of the Rate Year 3 step rate change.

⁷ Response to PUC 2-1 (July 21, 2024).

4. Providence Water Supply Board shall comply with all other decisions and instructions contained in this order.
5. The docket is closed.

EFFECTIVE AT WARWICK, RHODE ISLAND ON MAY 30, 2024, PURSUANT TO AN OPEN MEETING DECISION ON MAY 30, 2024. WRITTEN ORDER ISSUED NOVEMBER 7, 2024.

PUBLIC UTILITIES COMMISSION



Ronald T. Gerwatowski, Chairman



Abigail Anthony., Commissioner



John C. Revens, Jr., Commissioner

Notice of Right of Appeal: Pursuant to R.I. Gen. Laws § 39-5-1, any person aggrieved by a decision or order of the PUC may, within 7 days from the date of the Order, petition the Supreme Court for a Writ of Certiorari to review the legality and reasonableness of the decision or Order.